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MARTIN-McNEELY MINES, LIMITED

Annual Report



For the Year Ended December 31, 1973

Martin-McNeely Mines, Limited

DIRECTORS

H. DAHL-JENSEN	-	-	-	-	-	-	-	-	-	Unionville, Ontario
J. E. J. FAHLGREN	-	-	-	-	-	-	-	-	-	Cochenour, Ontario
R. E. FASKEN	-	-	-	-	-	-	-	-	-	Mississauga, Ontario
G. B. HENNING	-	-	-	-	-	-	-	-	-	Toronto, Ontario
C. M. MASTERMAN	-	-	-	-	-	-	-	-	-	Toronto, Ontario
G. T. SMITH	-	-	-	-	-	-	-	-	-	Toronto, Ontario
R. M. SMITH	-	-	-	-	-	-	-	-	-	Oakville, Ontario

OFFICERS

G. T. SMITH	-	-	-	-	-	-	-	-	-	-	President
N. W. WHEATLEY	-	-	-	-	-	-	-	-	-	-	Secretary-Treasurer

Transfer Agent and Registrar

CANADA PERMANENT TRUST COMPANY
Toronto, Ontario

Auditors

ALLEN, MILES, FOX & JOHNSTON, TORONTO

Head Office

Suite 3914, Royal Trust Tower
Toronto Dominion Centre
Toronto, Ontario M5K 1K2

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 10:30 a.m., Tuesday, March 12, 1974, in the Saskatchewan Room, Royal York Hotel, Front Street West, Toronto, Ontario.

MARTIN-McNEELY MINES, LIMITED

February 11, 1974

TO THE SHAREHOLDERS:

Your directors submit herewith the Annual Report of Martin-McNeely Mines, Limited for the year ended December 31, 1973, together with its financial statements for the year then ended.

WILMAR MINES LIMITED

During the past year your Company has, with Cochenour Willans Gold Mines Limited, assisted in financing exploration and development of a property owned by Wilmar Mines Limited in the Red Lake area of Ontario. A progress report on this work was contained in the Interim Report to Shareholders for the period ended June 30, 1973. Since that date a considerable amount of additional drilling was carried out on a number of sections from the 1300 foot level in the east area of the property. On the 1300 foot level the average width of the granodiorite zone was 48.5 feet with a drill-indicated grade of 0.15 ounces of gold per ton. Based on these results, your directors and the directors of Cochenour propose a program of additional drilling to probe the area between the up-holes from the 1300 foot level and the down-holes from the surface and, as well, to mine and mill a tonnage of material to establish a higher degree of confidence in the drill-indicated grade in the potential ore zone. It is planned that the test milling will be carried out at the Cochenour mill which is to be reopened and operated for this specific purpose.

Martin-McNeely's share of the cost for the program on the Wilmar property in 1973 amounted to approximately \$89,000. Cochenour and Martin-McNeely each agreed to accept fully paid up shares of Wilmar in satisfaction of amounts advanced in 1973 on the basis of one paid up share for each dollar advanced. Martin-McNeely also agreed to accept shares on that basis in satisfaction of about \$20,000 advanced to Wilmar previously, so that Martin-McNeely received a total of 110,000 shares of Wilmar to bring its holdings of Wilmar to 1,425,666, or approximately 35% of the outstanding shares of Wilmar. By reason of the fact that Cochenour has advanced considerably more money to Wilmar than has Martin-McNeely, its holdings of Wilmar have increased to approximately 65% of Wilmar's issued capital. Shareholders may be interested to know that the total amount advanced by Martin-McNeely to Wilmar to date is \$625,110.

To pay for the additional drilling and test milling referred to above, Cochenour and Martin-McNeely have agreed to advance a further \$500,000 in proportion to their present shareholdings so that Martin-McNeely's commitment will not exceed approximately \$175,000. For each dollar advanced by it, each of Martin-McNeely and Cochenour will receive one fully paid up share of Wilmar.

RIGHTS OFFERING

To finance its portion of these costs, the directors of Martin-McNeely have approved an offering of rights to shareholders of record at a date to be fixed by the directors. Such shareholders will be offered the right to purchase one additional share for 30¢ for each three shares held as of the record date.

The offering is, of course, subject to acceptance for filing of the appropriate material by the various regulatory bodies having jurisdiction.

Since all of the authorized shares of Martin-McNeely have been issued, shareholder consent is sought to an increase in its authorized capital from 6,000,000 to 10,000,000 shares and the rights offering is also contingent upon receipt of such approval which will be sought at the meeting of shareholders set forth in the notice accompanying this report.

VIKING NATURAL GAS PARTICIPATION

The property in which the Company has a 12½% working interest in the Viking area of east central Alberta is now ready for production and, subject to permits being obtained, should generate income for Martin-McNeely during the present year.

INVESTMENTS

Martin-McNeely's investment portfolio has continued to increase in value and, as at the date hereof, the marketable securities in the portfolio have a value of \$676,450.

On behalf of the Board,

G. T. SMITH,
President.

MARTIN-McNEELY*Incorporated under the laws***Balance Sheet as at***(with comparative figures)***ASSETS**

	1973	1972
Current		
Cash.....	\$ 2,442	\$ 38,032
Marketable securities, at cost (quoted market value \$456,200; \$327,226 in 1972).....	244,134	308,604
Accounts receivable.....	—	7,416
	<u>246,576</u>	<u>354,052</u>
Shares in other companies, at cost less amounts written off (no quoted market value) (Note 1).....	<u>220,624</u>	<u>21,624</u>
Mining Properties		
Patented mining claims situated in the Township of Dome in the District of Patricia, Ontario, at cost.....	<u>99,470</u>	<u>99,470</u>
Deferred Charges and Other Assets		
Participation in mining syndicates, at nominal value.....	—	8
Deferred exploration and administrative expenditures (Note 2).....	305,875	198,451
	<u>305,875</u>	<u>198,459</u>
	<u>\$ 872,545</u>	<u>\$ 673,605</u>

MINES, LIMITED

of the Province of Ontario

December 31, 1973

as at December 31, 1972)

LIABILITIES

	1973	1972
Current		
Bank loan (secured by marketable securities).....	\$ 140,000	\$ —
Accounts payable and accrued liabilities.....	7,978	1,195
	<u>147,978</u>	<u>1,195</u>

SHAREHOLDERS' EQUITY

Capital Stock (Note 3)		
Authorized and issued		
6,000,000 shares of \$1. par value.....	6,000,000	6,000,000
Less discount on shares.....	4,312,181	4,312,181
	<u>1,687,819</u>	<u>1,687,819</u>
Deficit.....	963,252	1,015,409
	<u>724,567</u>	<u>672,410</u>

Approved on behalf of the Board:

R. E. FASKEN, Director

ROBERT M. SMITH, Director

<u>\$ 872,545</u>	<u>\$ 673,605</u>
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MARTIN-McNEELY MINES, LIMITED

STATEMENT OF DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURES

For the Year Ended December 31, 1973

(with comparative figures for 1972)

	1973	1972
Balance deferred at beginning of year.....	\$ 198,451	\$ 138,835
Exploration		
Acreage and municipal taxes.....	106	106
Participation in farmout agreement (Note 2).....	101,669	53,874
	<u>101,775</u>	<u>53,980</u>
Administrative		
Audit fees.....	400	1,000
Directors' fees.....	525	525
General.....	1,846	2,020
Interest and bank charges.....	6,193	482
Office rent.....	600	600
Office salary and expense.....	513	528
Shareholders' information.....	2,638	2,974
Transfer agent's fees and expenses.....	1,894	1,898
	<u>14,609</u>	<u>10,027</u>
Total exploration and administrative expenditures for the year.....	116,384	64,007
Balance deferred before the following.....	<u>314,835</u>	<u>202,842</u>
Investment income		
Interest.....	118	201
Dividends.....	8,842	4,190
	<u>8,960</u>	<u>4,391</u>
Balance deferred at end of year.....	<u>\$ 305,875</u>	<u>\$ 198,451</u>

MARTIN-McNEELY MINES, LIMITED

STATEMENT OF DEFICIT For the Year Ended December 31, 1973 (with comparative figures for 1972)

	1973	1972
Deficit at beginning of year.....	\$1,015,409	\$1,079,032
Add		
Participation in mining syndicates written off.....	8	—
	<u>1,015,417</u>	<u>1,079,032</u>
Deduct		
Gain on sale of investments.....	52,018	62,775
Recovery of participation in mining syndicate.....	147	848
	<u>52,165</u>	<u>63,623</u>
Deficit at end of year.....	<u>\$ 963,252</u>	<u>\$1,015,409</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS For the Year Ended December 31, 1973 (with comparative figures for 1972)

	1973	1972
Source of Funds:		
Investment income.....	\$ 8,960	\$ 4,391
Gain on sale of investments.....	52,018	62,775
Recovery of participation in mining syndicate.....	147	848
	<u>61,125</u>	<u>68,014</u>
Application of Funds:		
Exploration and administrative expenditures.....	116,384	64,007
Participation in other mining companies.....	199,000	—
	<u>315,384</u>	<u>64,007</u>
Increase (decrease) in working capital.....	(254,259)	4,007
Working capital at beginning of year.....	<u>352,857</u>	<u>348,850</u>
Working capital at end of year.....	<u>\$ 98,598</u>	<u>\$ 352,857</u>

MARTIN-McNEELY MINES, LIMITED

NOTES TO FINANCIAL STATEMENTS

as at December 31, 1973

1. Shares in Other Companies

During the year the company received 110,000 shares of Wilmar Mines Limited in satisfaction of the indebtedness of Wilmar Mines Limited to the company. Subsequent to December 31, 1973 the company entered into an agreement with Wilmar Mines Limited to advance up to \$175,000 to finance exploration and development on the Wilmar Mines Limited property in the Red Lake area of Ontario. In return for each dollar advanced, Wilmar Mines Limited will issue one fully paid and non-assessable share.

In exchange for 20,000 shares of United Siscoe Mines Limited, the company acquired 20,000 shares of Geothermal Kinetics Inc. which have been recorded at a cost equal to the total market value at date of exchange of the United Siscoe Mines Limited shares. A profit of \$46,200 was realized on the disposal of these shares.

2. Deferred Exploration and Administrative Expenditures

The company has a $12\frac{1}{2}\%$ interest in a farmout agreement on certain lands in the Viking Area of Alberta subject to overriding royalties and an option to convert an overriding royalty to a 50% working interest which would result in the company's interest being reduced to $6\frac{1}{4}\%$.

The company's $12\frac{1}{2}\%$ share of the costs to date amounting to \$155,543 have been included in deferred exploration costs.

3. Capital Stock

Subject to shareholder approval, the company has resolved to apply for amendment to its articles of incorporation to increase authorized capital from 6,000,000 shares to 10,000,000 shares, all of which would be designated shares without par value.

The company has also resolved, subject to approval by the appropriate regulatory bodies, to offer its shareholders of record on a date to be fixed by the directors, the right to purchase shares on the basis of one share for each three shares held at a price of 30¢ per share.

4. Income Taxes

Potential income tax benefits arising from the claim for income tax purposes of deferred exploration and administrative expenditures have not been recognized in the accounts. Such tax losses carried forward approximate \$148,000.

AUDITORS' REPORT

To the Shareholders of

MARTIN-McNEELY MINES, LIMITED

We have examined the balance sheet of Martin-McNeely Mines, Limited as at December 31, 1973 and the statements of deferred exploration and administrative expenditures, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 17, 1974

ALLEN, MILES, FOX & JOHNSTON

Chartered Accountants

MARTIN-McNEELY MINES, LIMITED

Suite 3914—Royal Trust Tower
Toronto-Dominion Centre
Toronto, Ontario

NOTICE OF ANNUAL AND GENERAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the Annual and General Meeting of the Shareholders of Martin-McNeely Mines, Limited, hereinafter referred to as the "Corporation", will be held at the Saskatchewan Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario on Tuesday, March 12, 1974 at the hour of 10:30 o'clock in the forenoon (Toronto time) for the following purposes:

1. To receive the report of the Directors for the year ended December 31, 1973;
2. To receive the financial statements of the Corporation for the year ended December 31, 1973 and the report of the auditors thereon;
3. To elect Directors;
4. To appoint Auditors and authorize the Directors to fix their remuneration;
5. To consider and, if thought fit, to confirm, with or without variation, Special Resolution Number One passed by the Directors on the 11th day of January, 1974. A copy of the said Special Resolution is attached as a Schedule to the Information Circular which accompanies this Notice;
6. To transact such other business as may properly come before the meeting.

Shareholders unable to be present at the meeting in person are kindly requested to date, sign and return the form of proxy accompanying this notice in the self-addressed envelope provided for that purpose.

DATED at Toronto, Ontario, this 12th day of February, 1974.

By Order of the Board,

N. W. WHEATLEY,
Secretary

MARTIN-McNEELY MINES, LIMITED

Suite 3914—Royal Trust Tower
Toronto-Dominion Centre
Toronto, Ontario

INFORMATION CIRCULAR

GENERAL INFORMATION

This Information Circular is furnished in connection with the solicitation of proxies by the management of MARTIN-McNEELY MINES, LIMITED (hereinafter sometimes called the "Corporation") for use at the Annual and General Meeting of Shareholders of the Corporation (hereinafter called the "Meeting") to be held on the 12th day of March, 1974, for the purposes set forth in the accompanying Notice of Meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Corporation. The cost of preparing, assembling and mailing this Information Circular, the Notice of Meeting, the Form of Proxy and any other material relating to the Meeting has been or will be borne by the Corporation.

A proxy in the form enclosed with the Notice of Meeting confers discretionary authority with respect to amendments or variations to the matters identified in the Notice of Meeting or other matters which may properly come before the meeting.

The shares represented by such a proxy will be voted by the persons named therein and where a choice has been specified in the proxy the shares will, subject to Section 121 of The Business Corporations Act (Ontario), be voted in accordance with the specifications so made. **Where no choice is specified in the proxy, the shares represented thereby will be voted for confirmation of Special Resolution Number One.**

A shareholder has the right to appoint a person (who need not be a shareholder) to represent him at the meeting other than the persons designated in the form of proxy enclosed with the Notice of Meeting. Such right may be exercised by inserting the name of such person in the blank space provided in such form of proxy.

A shareholder who has given a proxy has the power to revoke it at any time before it is exercised. Section 116 of The Business Corporations Act (Ontario) sets out a procedure for revoking proxies by the deposit of an instrument in writing at the Head Office of the Corporation or with the Chairman of the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

At the close of business on February 12, 1974, there were outstanding 6,000,000 shares with a par value of \$1.00 each of the Corporation. Shareholders of record at the Meeting are entitled to one vote for each share held.

So far as Management has been able to ascertain, no person or corporation owns directly or indirectly equity shares of the Corporation carrying more than 10% of the voting rights attached to all equity shares of the Corporation.

ELECTION OF DIRECTORS

The Board consists of seven directors. The Management of the Corporation proposes to nominate the persons listed below for election as directors of the Corporation to hold office until the annual meeting next following or until their successors are elected or appointed. All such proposed nominees are now directors of the Corporation and have been since the dates indicated. **Proxies given pursuant to this solicitation by the Management of the Corporation will be voted for the election of such proposed nominees as directors.** If any of the proposed nominees should for any reason be unable to serve as directors of the Corporation, the persons named in the enclosed form of proxy reserve the right to nominate and vote for another nominee in their discretion.

The following table sets out the names of the seven persons proposed to be nominees for election as directors, their position with the Corporation, their respective present principal occupations or employments, the period during which each has served as a director of the Corporation and the approximate number of shares of the Corporation beneficially owned directly or indirectly by each of them.*

Proposed Nominee	Other Positions and Offices held with the Corporation	Principal Occupation or Employment	Date First Elected a Director	Shares Beneficially Owned as at February 5, 1974
H. Dahl-Jensen	Director	President, Mihorean and Dahl-Jensen Ltd., Real Estate Agents, Unionville, Ontario	June 11, 1969	1,001
J. E. J. Fahlgren	Director	President, Cochenour Willans Gold Mines Limited	May 30, 1968	1
R. E. Fasken	Director	Chairman of the Board, United Siscoe Mines Ltd.	May 30, 1968	1
G. B. Henning	Director	General Manager, Langley's Ltd.	April 4, 1962	1,000
C. M. Masterman	Director	Secretary, United Siscoe Mines Ltd.	June 11, 1969	1
G. T. Smith	President	Executive Vice-President, Northgate Exploration Ltd.	May 30, 1968	1
R. M. Smith	Director	President, United Siscoe Mines Ltd.	June 1, 1970	1

*Above information solicited by Management from the above nominees.

REMUNERATION OF MANAGEMENT AND OTHERS

The aggregate direct remuneration paid or payable during the year ended December 31, 1973 to the directors and senior officers of the Corporation was \$1,025.

APPOINTMENT OF AUDITORS

Management of the Corporation intends to nominate the firm of Messrs. Allen, Miles, Fox & Johnston, Chartered Accountants, for re-appointment as auditors of the Corporation. **Proxies given pursuant to this solicitation by the Management of the Corporation will be voted for their re-appointment at a remuneration to be fixed by the Directors.**

SPECIAL RESOLUTION NUMBER ONE

One of the purposes for which the Meeting has been called is to consider and, if thought fit, to confirm, with or without variation, Special Resolution Number One passed by the Directors on the 11th day of January, 1974, authorizing application for Articles of Amendment changing the 6,000,000 authorized and issued shares with a par value of \$1.00 each of the Corporation into 6,000,000 shares without par value and increasing the authorized capital of the Corporation by the creation of an additional 4,000,000 shares without par value. A copy of Special Resolution Number One is attached as a Schedule to this Information Circular. In order for Special Resolution Number One to be effective, it must be confirmed, with or without variation, by at least two-thirds of the votes cast at the Meeting.

GENERAL

The Management of the Corporation knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters which are not now known to the Management of the Corporation should properly come before the Meeting, proxies given pursuant to this solicitation by the Management of the Corporation will be voted on such matters in accordance with the best judgment of the person voting the proxy.

DATED as of February 12, 1974.

Schedule to the Information Circular of
MARTIN-McNEELY MINES, LIMITED

SPECIAL RESOLUTION NUMBER ONE

WHEREAS the authorized capital of the Corporation is divided into 6,000,000 shares with a par value of \$1.00 each, all of which are issued and outstanding as fully paid and non-assessable;

NOW THEREFORE BE IT RESOLVED THAT:

1. The Articles of the Corporation be amended to
 - (a) change the 6,000,000 issued shares with a par value of \$1.00 each of the Corporation into 6,000,000 shares without par value;
 - (b) increase the authorized capital of the Corporation from 6,000,000 shares without par value to 10,000,000 shares without par value by creating an additional 4,000,000 shares without par value ranking on a parity with the existing 6,000,000 shares without par value of the Corporation;
 - (c) declare that the authorized capital of the Corporation consists of 10,000,000 shares without par value; provided that the aggregate consideration for the issue of the 10,000,000 shares shall not exceed in amount or value the sum of \$6,000,000, or such greater amount as the Board of Directors by resolution determines; provided that such resolution shall not be effective until a certified copy thereof has been filed with the Ministry of Consumer and Commercial Relations, all prescribed fees have been paid and the Minister has so certified; and
 - (d) make the Corporation not subject to Part IV of The Corporations Act and vary the Articles of the Corporation by deleting the following:

“AND IT IS HEREBY ORDAINED AND DECLARED that the said Company shall be subject to the provisions of Part XI of The Ontario Companies Act;”.
2. Any two officers of the Corporation be and are hereby authorized and directed on behalf of the Corporation to deliver articles of amendment in duplicate to the Ministry of Consumer and Commercial Relations, and to sign and execute all documents and to do all things necessary or advisable in connection with the foregoing.